

Health Coverage Tax Credit



Introducing a new program that can pay nearly two-thirds of your health insurance premiums.

HCTC
Federal • State • Private Industry

Health Coverage
Tax Credit

Highlights

If you receive TAA/ATAA or PBGC benefits, you may be eligible for the Health Coverage Tax Credit.

The HCTC may cover your spouse and dependents in addition to you.

You must be enrolled in a qualified health plan to claim the HCTC.

There are two ways for you to claim the credit.

The advance tax credit program begins August 1, 2003.

You may claim the credit even if you do not owe federal income tax.

The Health Coverage Tax Credit (HCTC) is a federal tax credit that pays 65% of the qualified health insurance premiums paid by eligible individuals. Beginning in August 2003, eligible individuals can claim it in advance to help pay for health insurance premiums as they become due.

65%

HCTC PAYS

35%

YOU PAY

***The new Health Coverage Tax Credit
pays 65% of your eligible health
insurance premiums.***

If you are eligible, you can use the HCTC to help purchase health coverage for yourself and your qualified family members.

Two Eligible Groups

TRADE IMPACTED WORKERS

Individuals certified to receive certain Trade Adjustment Assistance (TAA) and Alternative TAA (ATAA) benefits

Trade Impacted Workers

To be eligible under TAA/ATAA you must be one of the following:

- Receiving a Trade Readjustment Allowance (TRA)
- Eligible for TRA under the TAA program but have not used up your unemployment insurance (UI) benefits
- Receiving a benefit under the Alternative Trade Adjustment Assistance (ATAA) program

If you have questions about TRA benefits under TAA, you can call your local state workforce agency for more information. You can also contact the Department of Labor Employment and Training Administration at 1-800-US-2JOBS.

PBGC RECIPIENTS

(Pension Benefit Guaranty Corporation)
Individuals receiving PBGC pension benefit payments who are 55 years of age or older

Pension Benefit Recipients of the PBGC

To be eligible for the credit you must be at least 55 years old and one of the following:

- Receiving pension benefits from the PBGC
- Receiving benefits from the PBGC as a survivor or beneficiary of a PBGC participant
- Receiving a portion of your ex-spouse's benefit from the PBGC as an alternate payee

NOTE: You are still considered to be receiving benefits from the PBGC even if you are paid annually rather than monthly or if you received your entire benefit from the PBGC as a lump sum paid on or after August 6, 2002. If you received a lump sum payment before that date, you are not eligible for the credit.

If you have questions about pension benefits from the PBGC, you can call them at 1-800-400-7242.

Claiming the Credit

There are two ways to claim the credit:

- 1. Beginning August 1, 2003, you can register to receive advance payment of the credit on a monthly basis to help pay for insurance premiums as they become due.*
- 2. You can claim the HCTC when you file your federal tax return.*

Preparing to Claim the Credit

If you believe you are eligible to claim the HCTC, take these steps today!

1. Verify your eligibility by reading this brochure.
2. Ensure that your health insurance is qualified for the HCTC (see page 6 for information on qualified health plans).
3. Continue to pay 100% of your health insurance premiums each month.
4. Keep copies of your health insurance bills and payment records.

Claiming the Credit on Your Federal Tax Return

1. Take the steps listed under "Preparing to Claim the Credit."
2. Follow the IRS instructions for submitting Form 8885 as part of your tax return.

Claiming the Credit in Advance

1. Once you receive notification from the HCTC program that you may be eligible, contact the HCTC Customer Contact Center. A customer service representative will:
 - Verify your eligibility
 - Collect information about your qualified health plan
2. Send a copy of your health insurance bill to the HCTC program. The center will calculate your payment and send you a payment coupon.
3. Each month, send your payment to the HCTC program. (You do not need to send payment directly to your health insurance plan for eligible premiums for which you are being invoiced by the HCTC program.)
4. The HCTC program will add the remaining portion and submit full payment to your qualified health insurance plan.

NOTE: You can claim the HCTC on your 2003 federal tax return using IRS Form 8885 for months in 2003 for which you were eligible, but not receiving the advance credit. More information on the IRS Forms related to the HCTC is located on page 7.

If you have qualified spousal coverage, you can only claim the HCTC on your 2003 federal tax return and not in advance.

Qualified Health Insurance

Qualified health insurance for the HCTC includes:

Automatically Qualified Coverage

- COBRA continuation coverage
- Spousal coverage plans* where the spouse's employer pays for less than 50% of the premium
- Individual (non-group) health insurance that began at least 30 days prior to separation from employment

State-Qualified Coverage

States may also qualify other health plans as long as the plans meet certain conditions. The HCTC Customer Contact Center may be able to tell you the options available in your state.

Unqualified Coverage

You are not eligible for the HCTC if you are any of the following:

- Entitled to Medicare Part A or enrolled in Medicare Part B,
- Enrolled in a state's Medicaid program or State Children's Health Insurance Program (SCHIP),
- Enrolled in any health plan maintained by an employer, former employer, or spouse's employer that pays at least 50% of the cost of coverage,
- Enrolled in a plan in the Federal Employees' Health Benefit Program (FEHB), or
- Entitled in a Department of Defense health plan (Tricare/CHAMPUS)

* You can only claim the HCTC with this type of coverage on your 2003 federal tax return and not in advance.

Forms Related to the HCTC

The following forms are related to the HCTC and should be filed with your IRS Form 1040, 1040NR, 1040SS, or 1040PR.

Form 8885

Use IRS Form 8885 to claim the HCTC when you file your federal tax return. This form helps you determine if you are eligible and provides instructions for claiming the credit. You should complete and submit it along with your federal tax return.

If you do not have IRS Form 8885, call the IRS at 1-800-TAX-FORM. You may also download the form at <http://www.irs.gov/pub/irs-pdf/f8885.pdf>.

Form 1099H

If you claim the credit in advance, you will receive Form 1099H or substitute Form 1099H. This form lists the amount of advance tax credit you received and the months for which you received it in 2003. You may use it to help you complete Form 8885 for those months in which you were eligible for but did not receive the advance credit.

Frequently Asked Questions

Q: How long can I receive the credit?

A: You can receive the HCTC for any month in which you are considered eligible on the first day of the month.

In general, you can continue to receive the HCTC for as long as you are receiving benefits under TAA or PBGC.

Q: What is a qualified family member?

A: A qualified family member is your spouse or any dependent that you can claim on your federal tax return.

Q: Do I have to file a federal tax return to receive this credit?

A: If you did not receive the HCTC for any month in which you were eligible, you may file IRS Form 8885 with your federal tax return to claim it for those months.

Q: If I become employed, will I stop receiving the credit?

A: As long as you are still eligible for the credit under TAA/ATAA or through the PBGC and have qualified health insurance, you may still receive the credit.

Q: If I am not a United States citizen, can I still claim the credit?

A: Yes, as long as you meet the program eligibility requirements.

Contact Us

Visit us on the Web at <http://www.irs.gov>
(IRS keyword: HCTC).

Or call us toll-free 1-866-628-HCTC
(1-866-628-4282).

TDD/TTY callers, please call 1-866-626-HCTC
(1-866-626-4282).

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